



# ProphecyDeFi

## PROPHECY DEFI PROVIDES SUBSEQUENT INVESTMENT UPDATE

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**December 8, 2023 (Toronto, Ontario):** Prophecy DeFi Inc. (“**Prophecy DeFi**” or the “**Company**”) (CSE: PDFI), wishes to provide additional commentary on its investment strategy, further to its update on December 6, 2023.

Prophecy DeFi’s asset allocation is being rebalanced to a consolidated investment portfolio that includes publicly traded Bitcoin mining companies, and blue-chip and emerging alternative cryptocurrency assets. Within each allocation, investments are made by leveraging smart beta strategies to generate alpha in the cryptocurrency market. The Company would like to provide additional insight into the nature of each of these asset allocations.

#### **Publicly Traded Bitcoin Mining Stocks**

Bitcoin mining stocks are a cornerstone of the Company’s investment portfolio. Their high beta provides investment exposure to amplified price movements relative to underlying spot cryptocurrency assets, providing potential for increased returns.

Developed in 2009, Bitcoin was the first cryptocurrency created. As a result of this, Bitcoin has significant first-mover advantage, establishing itself as a store of value. As a result of the asset having a limited supply of 21 million coins, there is a scarcity factor which contributes to its value in the marketplace. In recent years, there has been increasing institutional adoption, as institutional investors and large corporations have acquired Bitcoin, which has further established Bitcoin as the largest cryptocurrency in the world. Specifically, RIOT Blockchain Inc. and Marathon Digital Holdings Inc., have institutional ownership of 43.11% and 36.18%, respectively. Of which, the largest institutional investors include BlackRock, Vanguard and Morgan Stanley.

Prophecy DeFi has identified Bitcoin mining companies to exemplify a smart beta opportunity for investment. Investing in Bitcoin mining companies provides exposure to Bitcoin itself and benefit from the appreciation of Bitcoin’s price. Moreover, these companies generate revenue through their mining operations, which is positively related to the price of Bitcoin. Both their ability to produce and retain Bitcoin present a compelling investment opportunity at certain points in the market cycle.

“Every time Bitcoin has corrected over 50%, it has gone on to make a new all-time high within 3 years,” said John McMahon, CEO, Prophecy DeFi. “Given the smart beta dynamics that exist with publicly trading Bitcoin mining companies and the current market cycle, there is a tremendous investment opportunity that Prophecy DeFi is allocating capital to.”

Publicly traded mining companies trade at a high beta to Bitcoin itself, which provides an opportunity to capture alpha. Year-to-date, the price of Bitcoin has risen 165%, whereas RIOT Blockchain Inc., Marathon Digital Holdings Inc., and CleanSpark Inc.'s share prices have increased 344%, 365% and 416%, respectively.

Looking ahead to 2024, there are material events on the horizon that could accelerate Bitcoin's adoption globally and make the asset's supply even more scarce. This includes the numerous and ongoing applications for Bitcoin ETFs in the market, which if approved, would create a new flow of both retail and institutional investors. Furthermore, the halving event for Bitcoin will take place in April 2024, at which time the mining rewards will be cut in half from 6.25 BTC to 3.125 BTC. Historically, these halving events have led to a surge in Bitcoin pricing.

Prophecy DeFi is focused on making investments in market leading Bitcoin mining companies and utilizes a sophisticated and comprehensive methodology for analyzing and evaluating investments in both publicly traded Bitcoin mining stocks and cryptocurrencies. This methodology focuses on risk-adjusted, high-reward profiles in relation to factors such as market capitalization, cash flows, revenues and assets. Furthermore, in-depth analyses of financial results, BTC production, balance sheet strength, and share structure of publicly traded Bitcoin mining companies, Prophecy has identified CleanSpark Inc., HIVE Digital Technologies Inc., HUT 8 Mining Corp., Marathon Digital Holdings Inc., and RIOT Blockchain Inc. as market leaders with the highest BTC production relative to market capitalization. These companies also benefit from tremendous market liquidity and demonstrated an ability to operate and execute at a high-level.

Prophecy DeFi's investment process is predicated on blending fundamental assessments with a technical model, which is aimed to identify sector leaders and optimize entry levels for investment.

### **Index of Top 25 Cryptocurrency Tokens**

Prophecy DeFi has developed an index comprising of the top 25 crypto assets by market capitalization and trade volume. From this index, we carefully analyze and invest in the most promising ones that exhibit Smart Beta characteristics, superior risk-return ratios and possess sufficient liquidity for trade execution.

The second largest cryptocurrency by market capitalization is Ethereum (ETH) and a core investment focus of Prophecy DeFi. Ethereum introduced the concept of smart contracts, self-executing contracts with the terms of the agreement directly written into code. This feature opened up a wide range of possibilities, enabling decentralized applications (DApps) and decentralized autonomous organizations (DAOs). As adoption and use of the network increased exponentially, transaction fees increased during periods of overwhelming network demand. In response to this, Layer 2 solutions were developed 'on top' of ETH to alleviate these issues by building a more scalable technology. These Layer 2 solutions are low cost and scalable, which allow Ethereum's technology to have wider adoption, utility and application.

These Layer 2 networks are directly related to Ethereum in many ways. The success and adoption of Layer 2 solutions are directly related to Ethereum's existing userbase and development community. As Layer 2 networks gain traction, they contribute to the overall strength of the Ethereum ecosystem. Given the network benefits that these Layer 2 solutions provide, they have a positive impact on the activity and valuation of Ethereum itself.

As a result of the utility that Ethereum and its layer 2 solutions provide, they can provide smart beta investment opportunities within the asset class and are an important component of Prophecy's overall portfolio. The Company utilizes on-chain metrics and tokenization analysis, alongside its macro forecast, to determine its investments in this market segment.

### **Allocation for Emerging Markets**

Prophecy DeFi's consolidated investment portfolio will maintain an allocation for emerging markets, which represent a component of the overall investment strategy that has the potential for asymmetrical returns. This allocation captures alpha while managing overall risk exposure.

At certain points in the market cycle, development and use of emerging networks increase.

In a growth cycle of the market, more development and volume occur within the cryptocurrency space that adds value to networks. As the major networks become more active and valuable, this activity also flows to smaller ecosystems. In the current cryptocurrency market surge, which is reminiscent of 2020, Bitcoin is spearheading a new bull market, surpassing market expectations, and reaching significant valuation levels. There is the potential for other tailwinds in the sector related to ETF approvals and the Bitcoin halving event, which could redefine the demand landscape. Management believes these factors should have a positive impact on emerging market tokens and a small allocation of capital is reserved to take advantage of these opportunities.

"Prophecy DeFi is committed to exploring dynamic sectors of the cryptocurrency market, ensuring diversified and strategic growth in our investment portfolio," says Leo-Michael Dinolfo, Advisor, Prophecy DeFi.

John McMahon, CEO, Prophecy DeFi added, "Our team's dedication to meticulously executing our investment strategy aims to create value for our shareholders, aligning with our long-term vision for growth and innovation in the digital asset space."

For more information on Prophecy DeFi and its updated investment strategy, please visit [www.prophecydefi.com](http://www.prophecydefi.com)

### **About Prophecy DeFi**

Prophecy DeFi Inc. (PDFI) is a publicly traded investment company whose primary objective is to invest its funds for the purpose of generating returns from capital appreciation and income. It plans to accomplish these goals by bringing together technology start-ups in the Blockchain and Decentralized Finance sectors to fund innovation, elevate industry research, and create new business opportunities in a coherent ecosystem.

[www.prophecydefi.com](http://www.prophecydefi.com)

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